

BUSINESS SURVEY

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Inside

- 1 Current Business Climate
- 2 Longer-Term Business Expectations
- 2 Risk Perceptions
- 3 Hiring
- 3 Pricing & Inflation
- 3 Spotlight: Labor Shortage
- 3 Spotlight: Work from Home

Executive Summary

In September, Utah businesses continued to boom—defined as current revenues and expected revenues over the next three months exceeding 2019 levels at the same time of year.

Compared to August 2021, current revenues have increased, while expected growth remained steady.

The percent of employees working from home continued to increase in September, returning to high levels last reported in January and February 2020. Inflation risk remained steady: both the number of businesses that raised prices and the size of average price changes were similar in September to what they were in August. Finally, in September we spotlight the reasons why businesses are having difficulties finding employees. 48% of businesses report having trouble hiring people. The top reasons include unemployment insurance, lack of basic skills (see August report for spotlight on these skills), and housing and commuting costs.

CURRENT BUSINESS CLIMATE

We quantify the general business climate by asking respondents to compare their current revenue and their revenue expectations over the next three months to their revenues in the same month in 2019, to account for the change since pre-pandemic “normal.” This relative revenue comparison is also useful since reported values will take seasonality into account: for example, the holiday shopping season in December. Current and expected revenues define four business cycle regions; boom, downturn, recession, and recovery. Specifically, when businesses have current and expected revenues above those of the same month in 2019, we designate them as in a boom. Similarly, when businesses have current and expected revenues below those of the same month in 2019, we designate them as in recession. In contrast, firms are classified as being in a downturn if current revenues are higher than 2019 levels, but expected revenues over the next 3 months are lower than 2019 levels. Similarly, firms reporting that their current revenues are below 2019 levels but are expecting revenues in the next 3 months to be above 2019 levels are classified as being in recovery territory.



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Figure 1: Business Cycle



Figure 1 shows that Utah remains in the boom territory in September and that current revenues increased from August. Current revenues remain higher than this time in 2019 and expectations are for revenues to remain above their 2019 levels over the next three months. **Figure 1** shows that current and expected revenues are both only 5% higher than 2019 levels.

Note: to minimize the effect of outliers, Figure 1 presents median values.

Figure 2 shows strong economic growth across industries. However, Mining and Oil & Gas and Entertainment & Recreation continue to face economic headwinds. At the same time, both industries are above the 45-degree dashed black line, suggesting they expect revenues to improve in the next three months relative to today.

Figure 2: Business Cycle by Industry

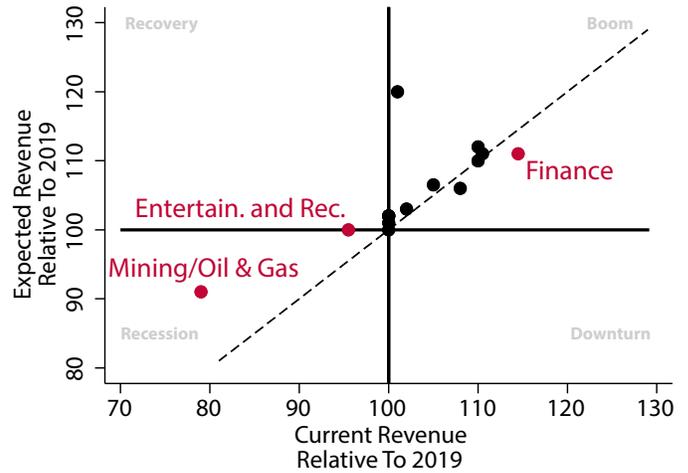
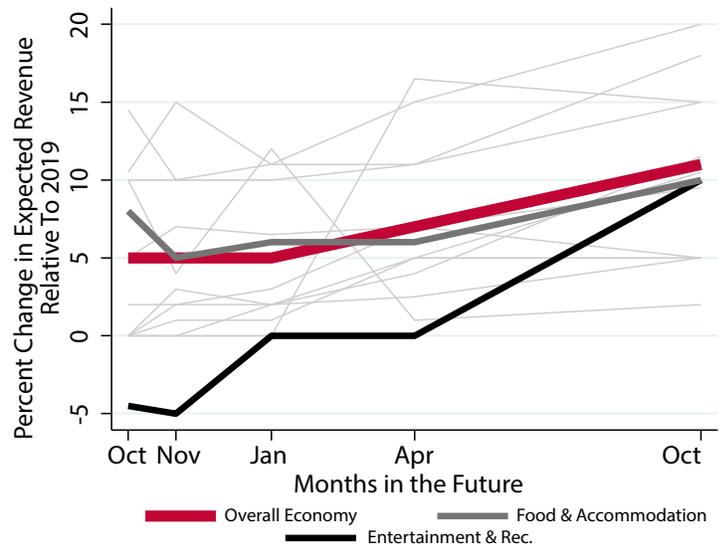


Figure 3: Longer-term Revenue Expectations



LONGER-TERM BUSINESS EXPECTATIONS

Figure 3 reports expected recovery over the next year by industry and in the overall economy. Businesses expect steady growth through next year. Utah businesses across all industries have these expectations. Over the last few months, the Food & Accommodation industry has grown similarly to the overall economy. While the Entertainment & Recreation industry has still not recovered from COVID-19, it continues to expect revenues to improve over the next several months.

RISK PERCEPTIONS

To assess what risks Utah businesses are worrying about, we ask what percentage of annual revenues they would be willing to give up if they could avoid various risky scenarios, such that a higher response indicates more risk to the firm. **Figure 4** reports that the top concerns continue to be uncertainty about demand and competition. Risk decreased across most other categories in September relative to August.

Figure 4: Risk Perceptions

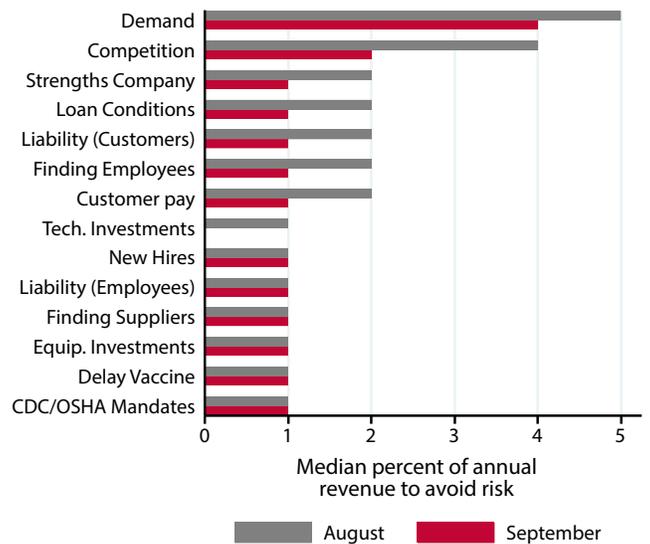


Figure 5: Hiring Expectations

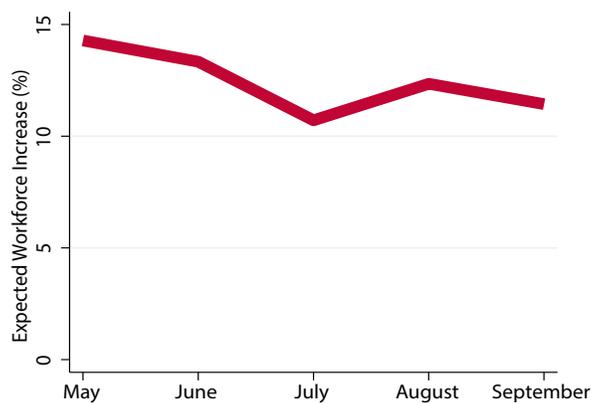


Figure 6: Price Changes

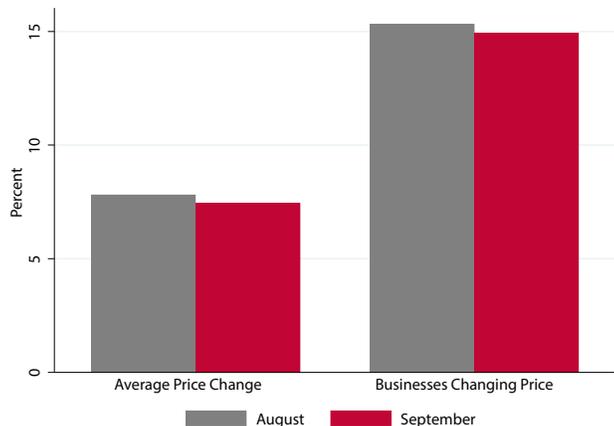


Figure 7: Labor Shortage

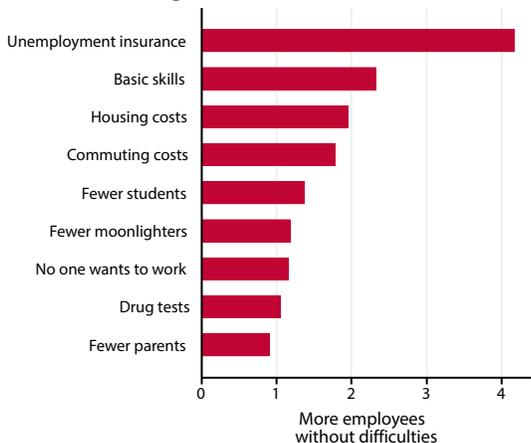
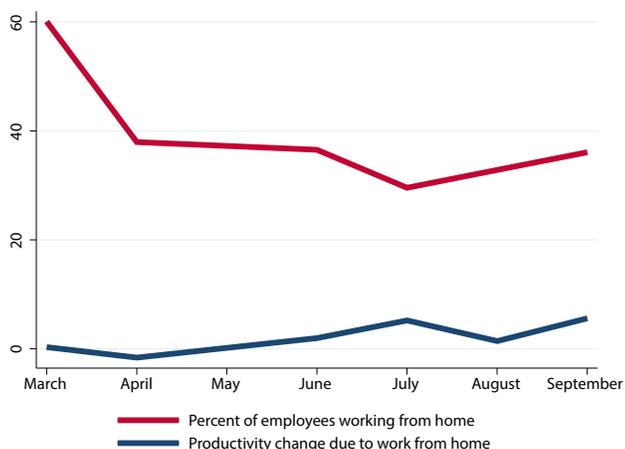


Figure 8: Work from Home Arrangements



HIRING

Businesses are expecting to increase their workforce in the next three months, though slightly less than in August, as seen in **Figure 5**. Industries with the strongest hiring plans are Real Estate, Information Technology, and Construction.

PRICING AND INFLATION

Businesses report continued lowering of inflation in September relative to August. To track the risk of inflation for the Utah economy, we ask businesses whether they changed their average prices last month and, if so, by how much. In this setting, it is useful to keep in mind that most businesses change their prices infrequently and, therefore, also tend to set their prices even higher if they expect high future growth and/or inflation. **Figure 6** reports both the number of businesses that reported price changes, as well as the median reported price changes (in percent).

We find that roughly 15% of firms report changing a price last month, which is down from August. Businesses report raising prices by an average of 7% in September, down slightly from August as well.

SPOTLIGHT: LABOR SHORTAGE

Almost half of all firms reported difficulties in hiring employees. As shown in **Figure 7**, firms reported a host of reasons for this. The top reasons were (excessively high levels of) unemployment insurance, a shortage of basic skills, housing costs, and commuting costs. In contrast, other reasons that might lead to labor shortage, such as, fewer students, fewer moonlighters, and fewer parents, were less frequently mentioned.

SPOTLIGHT: WORK FROM HOME

Businesses shifted largely to work-from-home arrangements as COVID-19 risks increased. We ask businesses what percentage of their workforce is working from home and how productivity has changed because of work-from-home arrangements, reported in **Figure 8**. In December 2020, businesses reported that 60% of their workforce was working from home. This percentage dropped in January and again in June to roughly 30%. In September, the percentage increased slightly to roughly 40%. This increase likely is in response to increasing case counts and added uncertainty for the fall. In December 2020, businesses reported no change in productivity due to work-from-home arrangements. Productivity gains reported from work from home began to increase, peaking around 5% in June and increasing again in September.